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SIPDIS

SENSITIVE

DEPT FOR WHA/AND, WHA/EPSC, EB/TPP/ABT
TREASURY FOR OASIA/INL
COMMERCE FOR 4331/MAC/WH/MCAMERON
USDA FOR FAS/ITP/GRUNENDFELDER
BANGKOK FOR TRADE OFFICER

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [EAGR](#) [PGOV](#) [PREL](#) [PE](#)

SUBJECT: PERU RESUMES FTA NEGOTIATIONS WITH THAILAND

REF: 04 LIMA 5481

1. (U) Summary. After almost 10 months of delay, the GOP resumed free trade talks with Thailand on August 15. During round six, held in Lima August 15-17, the GOP and GOT will negotiate chapters on market access, rules of origin, customs procedures and safeguards. GOP officials view Thailand as a strategic trade partner in Asia and expect that an FTA with Thailand will open doors for future FTAs with other countries in the region. End Summary.

FTA Talks Resume

2. (U) Trade talks between Thailand and Peru began in January 2004 in Bangkok, with the fifth round held in Lima last November. Although the GOP expected to complete the free trade agreement (FTA) by December, talks were stalled after the GOP instructed Ministry of Trade negotiators to focus on FTA negotiations with the United States. After a ten-month hiatus, the GOP, which states that U.S.-Andean FTA negotiations have advanced significantly, has turned its attention back to Thailand. FTA negotiations, now on Round 6, will occur August 15-18 in Lima.

3. (U) The 15 member Thai delegation, led by lead negotiator Apiradi Tantraporn, will meet with GOP officials, led by lead negotiator Pablo de la Flor, to negotiate several FTA chapters, including market access, rules of origin and customs procedures, and safeguards. The governments will not/not discuss the services or investment chapters.

Why Thailand?

4. (SBU) The GOP continues to tweak its policy toward Asia, and several GOP officials have informed us that they believe the way into Asia - namely China - is through the smaller countries, such as Thailand and Singapore. Thailand is Peru's largest trading partner in Southeast Asia; Peru exported over \$30 million in goods to Thailand in 2004, which accounted for 0.2 percent of Peru's total exports. Principal products included zinc, copper, and fishmeal. Peru imported \$9.8 billion in goods in 2004, 0.4 percent of which came from Thailand. Imports included light trucks, manufactured goods such as ovens, microwaves, and refrigerators, and polyester thread/fabric.

5. (SBU) The GOP believes that an FTA with Thailand will benefit Peru's large agricultural sector. Vice Minister of Trade Pablo de la Flor noted that exports of fruit (grapes), asparagus, onions, paprika, and coffee should increase under and FTA.

Comment

6. (SBU) The GOP expects that an FTA with Thailand will enable Peru to improve its trade relationship with Asia, perhaps culminating with additional FTAs with other countries in the region. Completing this FTA may be more difficult than the GOP realizes - negotiators must still tackle the agriculture chapter. Rice will be a major issue, as the GOP refuses to grant Thailand duty-free access for rice. As we have seen with the U.S.-Andean FTA, Peru's defensive position on sensitive agricultural products may be the limiting factor for future FTAs.

STRUBLE